

Dalton Street Market Neutral Trust February 2021 Investment Update

DALTON STREET CAPITAL

The event-driven strategy aims to exploit pricing inefficiencies around corporate activity, in particular M&A events. We finished the month of February on a high, delivering a net return of 4.16%. This result was on the back of multiple strategic M&A deal positions closing successfully, whereby the Fund was able to capture some incredibly large attractive deal spreads.

The biggest absolute return contributor was Amaysim (AYS AU), adding 120 bp with the agreed takeover bid by WAM Capital becoming unconditional as the voting of the sale of the mobile division was voted through. Other big contributors were the compulsory acquisition of Primero Group (PGX AU) by NRW Holdings (NWH AU), as well as the successful scheme of arrangement of Xplore Wealth (XPL AU) and Hub24 (HUB AU) both realizing absolute spreads of 5.6% and 3.2% respectively. The additional alpha in XPL AU was on the back of an option of XPL shareholders to elect either all scrip or all cash for their holdings. As HUB share price rose, this optionality was crystalized. It is not unusual for a Hong Kong takeovers to re-rate. Cowell eHoldings (1415 HK) was a case like that re-rating >10% after being declared unconditional. Luxvisions Innovation (Offeror) entered into a share purchase agreement to acquire a 44.87% stake from the vendor triggering a conditional MGO at HK\$5.87. The Fund was able to quickly withdraw their acceptance to the offer and sold the exposure in the open market at HK\$6.45 capturing +45 bp of alpha return.

By month-end the Fund held an overall gross exposure of 220% in the event-bucket. The M&A deal landscape is currently abundant, with Bingo (BIN AU) in the crosshairs of CPE Capital in a A\$2.5bn deal, and Vocus Group (VOC AU) having received an indicative offer from Macquarie Infrastructure and Real Assets (MIRA) at A\$5.50 per share. Tabcorp Holdings (TAH AU) has also received an offer at the asset level for the wagering business estimated around A\$2.5-3bn. The Fund continues to find and implement very attractive risk/return trades, and with an asymmetric return nature in mind is very much resilient towards broader market sell-offs.

Returns	1m	3m	1y	3y (p.a.)	Inception (p.a.)	Inception
Fund	4.16%	3.95%	n/a	n/a	n/a	3.47%
RBA Cash Rate	0.01%	0.02%	n/a	n/a	n/a	0.07%

Net performance shown is after deduction of all fees and costs. Inception date of Mantis Funds Dalton Street Capital acting as sub-advisor is 18 October 2020. ^ Compounded return since inception. Past performance is no indicator of future performance.

Alpha Family	Performance
Market Neutral Equities	0%
Events & Special Situations	4.16%
Trend & miscellaneous	0%

Value of investment

Assuming re-investment of distributions

\$1.35

\$1.30

\$1.25

\$1.20

\$1.15

\$1.10

\$1.05

\$1.00

Oct-20
Nov-20
Dec-20
Jan-21
Feb-21

About the Fund	
Objective	Deliver absolute returns over rolling 3 year periods with low to no correlation to traditional asset classes
APIR Code	WMF0001AU
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